



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 10/17/00

AGENDA ITEM 4

WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Resolution to SFPUC Regarding Water Supply Reliability

RECOMMENDATION:

It is recommended that the City Council approve the attached resolution requesting that the San Francisco Public Utilities Commission take specific actions to improve the reliability of the Hetch Hetchy water system.

BACKGROUND:

Since 1963, the City of Hayward has obtained all of its water from the San Francisco Public Utilities Commission's (SFPUC) Hetch Hetchy system. For decades prior to that, SFPUC was a major water supplier to Hayward. According to our contract, the SFPUC will provide Hayward with all of the water it needs, in perpetuity, as long as sufficient supplies are available. This is a very favorable agreement and unique among the 30 suburban Bay Area agencies which receive some or all of their water supply from SFPUC's Hetch Hetchy system. Hayward has not developed other water supplies, which would be costly to construct and could provide a lesser quality of drinking water to customers. Although Hayward has constructed emergency wells and developed mutual aid arrangements with neighboring agencies, these measures are intended for emergency, short duration use only.

The Hetch Hetchy water system is aging and in need of major capital improvements in order to ensure system reliability. Of significant concern to Hayward is the vulnerability of the Hetch Hetchy system in the event of an earthquake or other hazard. Unfortunately, not much work has been done in that regard. It is critical that SFPUC move forward as quickly as possible to safeguard the system against earthquake damage and other hazards, and to ensure system reliability and redundancy in case of a catastrophic event.

As a regional water supply, the Hetch Hetchy system is essential to the economic well-being of the Bay Area, including Hayward. A disruption in water supply could have a serious impact on businesses, particularly businesses that depend on a reliable supply of high-quality water, such as food and beverage processors or computer chip manufacturers.

In response to concerns regarding SFPUC's capability of implementing the needed improvements, and because of the importance of the Hetch Hetchy system as a regional water supply, legislation was passed requiring the California State Auditor to review the SFPUC capital improvement program and funding sources. The Auditor issued a report in February 2000 questioning SFPUC's ability to implement capital improvements and to raise sufficient funds. One month earlier, San Francisco Mayor Brown had released a Facility Reliability Report, which described the potential for extended interruptions in water supply from the Hetch Hetchy system. The potential problems identified in these documents, and consequences for many Bay Area communities, including Hayward make it critical that the Hetch Hetchy system be upgraded as soon as is reasonably possible.

There are many challenges and complexities involved in upgrading this water system, not the least of which is cost. Some estimates indicate that the capital improvement projects, including seismic upgrades, will exceed \$2.5 billion. Although the allocation of costs has not yet been determined, all suburban wholesale customers, including Hayward, must be prepared to pay their fair share of the funding of these much needed improvements to ensure a reliable and high quality water source for residents and businesses. Under the current contracts, suburban agencies will not have to front the money, but will have to pay through their wholesale water rates during the life of the improvements.

An important first step towards implementing needed improvements was taken in April 2000, when the SFPUC unanimously adopted a Water Supply Master Plan, recommended by the Bay Area Water Users Association (BAWUA) of which Hayward is a member. (BAWUA represents certain interests of suburban agencies that purchase water from SFPWC.) The SFPUC Water Supply Master Plan identifies a number of short- and long-term capital projects to strengthen the system against earthquakes, replace aging facilities with new components to meet projected peak demand levels, and provide treatment plant capacity to ensure compliance with current and anticipated drinking water quality standards. Since adoption of the Water Supply Master Plan, the San Francisco Board of Supervisors has approved an agreement with Bechtel Corporation to manage the capital improvement program. SFPUC staff is currently developing a draft Capital Improvement Program and Funding Plan, which is expected to go before the Commission for discussion in November and adoption in December 2000.

The attached resolution acknowledges the importance of SFPUC approval of the Water Supply Master Plan and encourages several further actions. These actions are deemed to be critical next steps to ensure a reliable water supply. Most importantly, from Hayward's perspective, the Commission is requested to:

- Take immediate steps to safeguard the Hetch Hetchy system against earthquake damage. As noted earlier, disruption to water supply could have serious consequences for Hayward and the Bay Area economy and safety.

- Implement the Water Supply Master Plan projects in a timely way. The Plan identifies a schedule for implementing short- and long-term projects and it is important that the SFPUC commit to maintaining this schedule.
- Secure water transfer agreements in the event of drought conditions. The Hetch Hetchy water system is vulnerable to climatic water shortages, and alternative water supplies would ease the impact of periodic drought conditions.
- Commit to fair and reasonable water rationing methods in the event of future water shortages. Hayward customers have always responded to water shortages in a cooperative way, significantly reducing their water consumption. It is important that all SFPUC customers, both wholesale suburban and San Francisco, are asked to sacrifice equally in the event of a drought and that customers are not penalized for practicing water conservation in non-drought years.
- Protect the high quality of water and continue to meet all federal and state drinking water standards. The quality of Hetch Hetchy water is among the finest in the nation, and as federal and state standards become more stringent, SFPUC must ensure treatment capabilities to meet these new requirements.

Over 20 suburban agencies have adopted similar resolutions or prepared letters in support off these actions.

Prepared by:



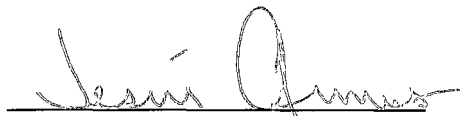
Alex Ameri, Deputy Director of Public Works

Recommended by:



Dermis L. Butler, Director of Public Works

Approved by:



Jesús Armas, City Manager

Attachments: Exhibit A - Draft Resolution

DRAFT



HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RECOMMENDATIONS TO THE SAN FRANCISCO PUBLIC
UTILITIES COMMISSION FOR ACTIONS TO IMPROVE
REGIONAL WATER SUPPLY

WHEREAS, the City of Hayward Municipal Water System provides water to 130,000 residents, as well as major educational institutions and numerous businesses; and has purchased water for these customers from the San Francisco Public Utilities Commission exclusively for 37 years; and

WHEREAS, the water system is an essential element of the lifeblood of the community, and the community's economic health provides an important foundation for Hayward's vitality and way of life; and

WHEREAS, in January, the Mayor of San Francisco released the Facility Reliability Report citing the potential for extended interruptions in supply from San Francisco's regional water system for up to 90 days, which could jeopardize the economic vitality and job potential of the Bay Area; and

WHEREAS, in February, the California State Auditor issued a report questioning the Commission's ability to implement capital improvements to the system and suggests that the Commission may be unable alone to raise sufficient funds to pay for them; and

WHEREAS, the Mayor of San Francisco has publicly noted the regional importance of upgrading the water system, and the Commission's recent approval of the Water Supply Master Plan is a welcome indication of the Commission's desire and intention to meet system-wide demands expected over the next 30 years; and

WHEREAS, these steps, while necessary, are not sufficient in themselves to assure the suburban agencies that their concerns will be addressed, or that they will be addressed in a lasting manner.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that in light of these concerns, and in order to provide the Commission with a clear statement of its neighboring customers' expectations, the City of Hayward joins with other

similarly-situated agencies, collectively responsible for supplying water to over 1.4 million residents and to industries, businesses and institutions which provide jobs for over 800,000 Californians (including many San Franciscans), in respectfully urging the San Francisco Public Utilities Commission to do the following:

1. Take immediate steps to safeguard the water system against damage from earthquakes and other hazards.
2. Secure negotiated water transfer agreements for back-up supplies during dry years in order to reduce the impacts of severe droughts in the overall service area for existing customers.
3. Implement diligently the elements of the SFPUC Water Supply Master Plan strategy so that high priority short-term projects are built on the schedule contained in the Master Plan.
4. Commit to operating the Hetch Hetchy system to deliver water as the first priority, especially in drought years, with electric power as a byproduct.
5. Continue to protect the purity of Hetch Tetchy water and commit to providing its wholesale customers with water that meets current and future applicable EPA and State of California drinking water standards.
6. Commit to and implement new and fair water rationing methods and a new shortage allocation system which do not penalize long-term conservation efforts or development of alternative supplies such as recycled water, and treat both wholesale, suburban and City retail customers equally.
7. Commit to maintaining cost-based pricing on a long-term basis, after 2009, with the cost of the wholesale water system continuing to be allocated between the City and its wholesale customers based on their proportionate use.

BE IT FURTHER RESOLVED, that to the extent independent actions by the Commission can accomplish these objectives, we urge the Commission to undertake them now and pursue them diligently to completion.

BE IT FURTHER RESOLVED, that to the extent accomplishment of these objectives requires agreements between the City and County of San Francisco and its wholesale customers, we urge the Commission to promptly begin formal discussions with the suburban

agencies, and pursue them in good faith so that mutual and reciprocal commitments of both San Francisco and wholesale customers can be incorporated into durable and enforceable contracts on which all parties can prudently rely in ordering their affairs.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2000

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward